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Chapter Four

Contract Negotiation Procedures

4.1 PROJECT AWARD

After written approval of the Secretary, the highest-ranked firm receives written notification from the Consultant Control Coordinator. See Figure 4-1 for an example letter. At or about this time, the firm is contacted by the Project Manager to begin the fee negotiation process.

Fee negotiation may take several different formats depending upon the type of project, the detail of information already furnished and the familiarity of the Project Manager and the Consultant with the Department's requirements for preparing a fee proposal.

A Project Manager may choose to begin the negotiation process by requesting the Consultant to prepare and submit a fee proposal. Normally, this approach is used for projects that are within the scope of services routinely managed by sections, and that have been well defined technically, financially and administratively for the Consultant during the Request for Services and selection process.

For many projects, it may be prudent and save time to utilize the process that follows.

Even for routine projects, it is necessary for the Project Manager and Consultant to be well versed in the items discussed in this chapter to have a satisfactory fee proposal submission and successful negotiation.

4.2 SCOPING MEETING

Many projects should begin with a scoping meeting attended by the Consultant, the Project Manager and any support staff needed to fully cover the

elements of the project. The meeting covers three areas of project management:

1. technical—to define work tasks,
2. financial—to define payment issues, and
3. administrative—to define day-to-day managerial procedures.

To adequately prepare a fee proposal, all three of these areas must be fully discussed. It is necessary that the two parties negotiating have a clear understanding of what each is expected to do. The Project Manager must also discuss financial and administrative procedures with the Consultant.

4.2.1 TECHNICAL REQUIREMENTS

The technical portion of the meeting consists of a detailed discussion of work tasks necessary to complete the project.

The basic technical work scope is the one originally used in the shortlisting and selection process. However, at this time a much more detailed project scope should have been developed by the Project Manager using previous similar projects and agreements as the prime resources. The Department's tentative schedule for reaching milestones and/or completion of phases should be given to the Consultant for developing staff needs.

Most projects are not unique to the Department, and a large amount of historic data is available, including agreements from similar types of projects, the original negotiating files, progress schedules, actual person-hours required to perform various tasks, financial records, and the like. To

gather this information is not an easy task and involves time and file research. However, to be an effective negotiator and protect the best interests of the Department, the Project Manager must be knowledgeable and well versed in exactly what the project will entail and how much effort is needed.

The Project Manager should prepare for the meeting by first sending the Consultant a draft copy of the proposed agreement.

The draft agreement should include a description of the work, a detailed scope of anticipated work tasks, the proposed method of payment, any contractual limitations on costs, and those clauses necessary to make the agreement a legally binding contract.

To minimize preparation efforts and review time and establish a common base for comparing future proposals, the Project Manager should have the Department's standardized proposal format available for this meeting. See Figure 4-2 for a sample package. This package includes a fee derivation sample, a sample person-hour estimate, and a financial task-coding list for tracking person-hours by major project work task. The financial coding of the major tasks to be monitored must be established by the Project Manager based upon the services being engaged. Uniform identification of employee classification levels should also be established.

By requiring the Consultant to prepare the proposal in a standard format using uniform classifications and major task coding identifiers, a proposal can be easily reviewed, negotiated and tracked through development of the entire project. Each contract negotiated can be used to build a historical database for use in negotiating future similar projects.

4.2.2 METHODS OF PAYMENT

There are four acceptable payment methods for contracts:

- cost plus fixed fee (profit),
- lump sum,
- cost per unit of work, and
- specific rates of compensation.

Each method has its own process for developing a fee derivation, payment procedure and conditions under which it may be the best method for payment for the services being requested.

The Project Manager must be familiar with the advantages and disadvantages of each different payment method and should refer to Appendix G for further details on acceptable methods of payment.

One other method of payment is used within the Consultant services industry. This method provides for compensation based upon a percentage of the cost to the agency for implementations of the project under contract; a percentage of construction costs, for example. The Department never permits the use of this method on any project. This method of payment is also prohibited by CFR 172 on any federal-aid project.

The payment method used most frequently by the Department is cost plus fixed fee. This method of compensation provides the most documentation for a Project Manager to review both during the negotiating stage as well as during pursuit of the work and is the easiest to modify to meet changing contract conditions.

Although the remaining discussion is directed more toward negotiating cost plus fixed fee contracts, many terms and elements are common to developing fee proposals for the other contract payment methods.

4.2.3 ALLOWABLE COSTS

Technical discussion is necessary to define tasks and objectives. The contracting parties must also have a clear understanding of how payment for work performed will be made.

To guide a consultant in preparing an acceptable first submission, the Project Manager must be knowledgeable about the financial terms and items that are involved in developing a fee proposal.

The basic compensation components of all consultant contracts include the following elements:

- direct salaries,

- the premium portion of overtime,
- overhead (payroll burden and indirect costs),
- direct non-salary costs, and
- (fixed) fee or profit.

Each of these is discussed in more detail in the following sections.

4.2.3.1 DIRECT SALARIES (LABOR)

Direct salaries include actual regular time plus the straight portion of overtime compensation for all employees directly chargeable to the project, whether full- or part-time.

4.2.3.2 PREMIUM PORTION OF OVERTIME

Normally, the premium portion of overtime pay rates for work within the original scope of work is not paid for by the Department. All overtime must be authorized and be analyzed on a case-by-case basis to determine eligibility for premium time payment and if indirect salary costs, overhead or profit will be allowed.

4.2.3.3 OVERHEAD (PAYROLL BURDEN AND INDIRECT COSTS)

Overhead costs are those general expenses incurred during the normal course of operating a business. At times, a Project Manager may see these expenses referred to as General and Administrative costs (G&A), fringe benefits, indirect costs or payroll burden.

Payroll burden and fringe benefits include paid sick leave, vacation, holidays, payroll taxes, unemployment taxes, social security taxes, retirement and insurance benefits.

Indirect costs include salaries which are not directly chargeable to a project, dues, subscriptions, licenses, bank charges, depreciation, computer and CADD costs, amortization of lease improvements, telephone, postage, insurance, legal and accounting expenses, rent, repairs maintenance, travel and

related expenses.

4.2.3.4 DIRECT NON-SALARY COSTS

Direct non-salary costs are all eligible costs assignable to the project, such as travel, reproduction, telephone, postage, prints, meals and lodging, soil borings, structural borings, laboratory charges, commercial printing, and consumable supplies. The Project Manager should determine the Department's limitations on any of these items prior to the scoping meeting.

4.2.3.5 FIXED FEE (PROFIT)

The fee is a fixed negotiated dollar amount to cover the Consultant's profit, interest on invested capital, readiness to serve, disallowed overhead items, miscellaneous expenses and other eligible factors, with due consideration given to the risk, Consultant investment, project duration, and overhead.

Although, referred to as "fixed fee", this number may change over the life of a contract, particularly if there is a change in the original scope of services. In cases where work is performed to correct errors and omissions, additional work is performed without prior authorization or is considered within the original scope but costs (normally person-hours) have exceeded original cost estimates, this fee may or may not be changed. Each case is reviewed on its merits to determine if a fee adjustment is in order.

4.2.4 COST LIMITATIONS

The Project Manager must be prepared to explain any cost limitations that apply to the contract at the scoping meeting. (Refer to Appendix H.) Such limitations include:

- salary rate range, including maximums for the various occupational classifications,
- maximum combined payroll burden and general administrative overhead rate,
- whether salary escalation of direct labor costs is permitted,
- whether the use of average salary rates

for proposed classes of employees is permitted,

- when and if overtime or premium pay will be permitted,
- the method of payment for computer/CADD costs for both equipment and operator,
- mileage rate limitations,
- travel and subsistence limits (request a copy of the firm's policy,
- maximum car lease rates,
- the maximum allowable percentage of administrative time and/or other class types if appropriate,
- when and if a principal's time is chargeable, either in an administrative capacity or directly to the project, and at what rate,
- the subconsultant selection, contract and payment procedure,
- the use of Disadvantaged Business Enterprise firms and the percentage of DBE work required to meet the goal,
- the basis upon which the fixed fee (profit) should be developed,
- allowable direct costs, with a clear understanding that *no administrative or profit mark-up on any direct cost including sub-consultant payments is permitted*,
- a list of materials, manuals and publications to be furnished by the Department to the selected firm (see Appendix I),
- a list of work tasks, such as environmental studies, permit applications, traffic forecasting, field survey, soil survey, structure borings, and pavement designs to be provided by the Department, and

- any other financial matters necessary to prepare a satisfactory proposal.

Refer to Federal Acquisition Regulation (FAR) 48CFR Part 31 for additional information on allowable costs for federal-aid projects.

4.2.5 ADMINISTRATIVE PORTION

The Project Manager should also be prepared to brief the Consultant on the administrative procedures to be followed on the project. Items to be discussed include:

- the negotiation process,
- the pre-award audit process,
- the agreement process,
- interim project review(s) process (when, how many, who with, where, etc.),
- the payment process,
- the supplemental agreement process including the definition of extra work and when additional profit would or would not be permitted,
- the performance monitoring process, and
- the performance evaluation process.

The Project Manager should be familiar with all these administrative processes and have a general idea of what is involved and how much time is normally involved to complete each one. The Consultant needs to know what the Department's administrative procedures are at the very beginning of the project and provide for them in his schedule and staff assignments.

Many of these items have been defined throughout the shortlisting and selection process but should be thoroughly discussed to prevent misunderstandings and resubmission of the proposal resulting in project delays.

4.3 COST PROPOSAL CONTENTS

Typical cost proposals include many of the following items:

- The detailed scope of services as agreed to at the scoping meeting, including how, where and by who the various tasks will be performed.
- A listing of primary team members who will be working on the project. Include by their company job title and, as directed by the Project Manager at the scoping meeting, a nationally recognized equivalent grade level, such as those defined by the American Society of Civil Engineers for engineers and the National Institute for Certification in Engineering Technologies for technicians, or the DelDOT Personnel Classification Plan.
- The average hourly wage rates for each job title should be included, unless another method of showing rates was directed at the scoping meeting.
- Any allowable escalation of wage rates.
- Estimated hours by job title for job tasks in a standard form provided by the Project Manager.
- Estimated direct technical labor.
- Estimated direct non-salary costs.
- Estimated costs for any subconsultant usage (submittal includes backup information for subconsultant's derivation of fee and copy of contract).
- Disadvantaged Business Enterprise submission.
- Proposed overhead rate and dollar amount.
- Proposed fixed-fee with justification.
- A complete fee derivation summary of total estimated direct labor person-hours by class, associated overhead costs, direct costs, subconsultant costs, and the maximum amount payable.

- Fragmentation of the components applied to direct labor is unacceptable. The acceptable method of applying an indirect rate is to combine salary costs (fringe benefits) and overhead. See Item 3 on Attachments A and B for Figure 4-2.
- A proposed progress schedule indicating critical dates and milestones in a format acceptable to the Project Manager.

4.4 PRE-AWARD AUDIT

Upon receipt of the completed proposal, the Project Manager should make a cursory review to assure the proposal is in basic conformance with the Scoping Meeting. If the submission is complete, acceptable, and has a total fee of one hundred thousand dollars (\$100,000) or greater, a copy is sent to the Office of Audit and Regulatory Affairs for the pre-award audit. Refer to Policy Implement Number A-8.

Pre-award audits are also required for fee proposals less than one hundred thousand dollars if the following applies:

- there is insufficient knowledge of the Consultant's accounting system,
- there is previous unfavorable experience regarding the reliability of the Consultant's accounting methods, or
- the contract involves procurement of new equipment or supplies for which cost experience is lacking.

The basic elements of a pre-award audit include:

- Determining that the existing accounting system provides for the identification and accumulation of costs by project, and commenting on any significant procedures that might affect project costs.
- Verifying labor rates utilized in the cost

proposal to actual or average hourly rates of the Consultant using actual payroll records.

- Determining that proposed non-salary direct costs (i.e., travel expenses, reproduction costs, computer/CADD costs, mileage rates, etc.) are reasonable, in conformance with those charged other clients, and necessary for performance of the work.
- Determining that the payroll burden and overhead rates utilized in the cost proposal are representative of actual costs to the Consultant, less any non-allowable cost items in conformance with both the Federal Acquisition Regulations and Department allowable costs.
- Analyzing any subconsultant proposals for conformance with Department and Federal Acquisition Regulations.
- Analyzing the Disadvantaged Business Enterprise submission for conformance with Department and Federal Acquisition Regulations.
- Analyzing the Consultant's summary fee derivation for accuracy and correct form.
- Analyzing other items as determined by the Office of Audit and Regulatory Affairs to be necessary.

The purpose of the pre-award evaluation is to provide the Project Manager professional advice on accounting and financial matters needed to assist in the negotiation, award, and administration of the contract.

4.5 FEE NEGOTIATION.

At this point in the process, the Project Manager should have a vast array of information available to review the fee proposal for content, accuracy, person-hours, and dollar values. A typical fee proposal is included as Figure 4-2.

The first item to check is the Consultant's scope of services to assure the work items are adequately covered and in conformance with that intended by the Department.

Once this is ensured, the proposed person-hours for the individual tasks should be evaluated using resources generated by the Project Manager. The relative percentage of person-hours per class to the total hours proposed should be evaluated for proper balance and mix of personnel for the services requested. The purpose is to uncover any significant discrepancies between the Consultant's and Department's estimates of personnel and person-hours required for each work task.

A similar review of proposed work to be performed by subconsultants should also be made. The Project Manager should review a subconsultant's proposal in a manner similar to the prime Consultant's, ensuring that adequate Scope of Work and fee derivation with backup information has been submitted. Other direct costs should be evaluated for reasonableness and necessity to the project.

The Project Manager should review any proposed use of Disadvantaged Business Enterprise firms for scope of work, adequate fee derivation backup and conformance with the established percentage goal. As part of the process the Disadvantaged Business Enterprise submission is sent to the Department's Disadvantaged Business Enterprise (DBE) Office for review and comment.

The proposed work schedule and the critical dates previously established, including the coordination and reviews by the Department and other agencies, should be evaluated for reasonableness and understanding of the process.

A complete check of all proposed rates and associated dollar values should be made. The results of the pre-award audit will prove to be valuable in this procedure. This check should ensure that all previous financial limits, the results of the pre-award audit and the basic format to develop the final fee derivation have been adhered to and are in conformance with those previously established at the Scoping Meeting.

Occasionally, negotiations do not go that smoothly. Several back-and-forth submissions and at least one more meeting with the Consultant may be necessary to reach final agreement.

4.6 FUNDING VERIFICATION

After reaching a satisfactory conclusion to the fee negotiation process, the Project Manager notifies the Office of Financial Management and Budget of the final total fee by memorandum. It is essential to ensure that funding is available prior to preparation of the final agreement and issuing the notice to proceed. (The estimated cost of the project may have changed since the Project Manager's estimate submitted at the beginning of the advertisement for services process.)

The Office of Financial Management and Budget should also be notified if, during the negotiation process, there have been substantial changes in the proposed project scope that will dramatically affect the final implementation cost.

4.7 SPONSORING AGENCY REVIEW

The Department may administer projects either as a service to or jointly with other agencies. When agencies, other than FHWA, sponsor projects, they must be included in the agreement process.

Contracts entered into in cooperation with the FHWA are to be processed under the "alternate procedures" provisions of CFR 172.15. Under this process, draft fee proposals and draft agreements do not have to be submitted for review and concurrence. In lieu of this review, the procedures outlined in this Manual are to be adhered to and an original executed copy of the final agreement sent to their office through the Office of Financial Management and Budget.

A copy of the recommended draft fee proposal and draft agreement is forwarded to the appropriate sponsoring agency for review and comment.

If no significant comments are presented, negotiations continue. The sponsoring agency notifies the Department in writing of this preliminary approval of the fee proposal with a copy to the initiating Director and Office of Financial Management and Budget.

This approval establishes the effective date of sponsoring agency authorization for participation in

project costs.

If significant comments are raised by the sponsoring agency, one or more resubmissions may be required.

If at any time during the fee proposal negotiations, a significant change to scope of work or increase in costs occurs, the sponsoring agency must be provided another opportunity for review and comment.

4.8 NEGOTIATION TERMINATION

The Project Manager through the Section Head and Director may not be able to reach a satisfactory conclusion to the fee negotiation process. In that event, fee negotiations with the highest rated firm are formally terminated. The Project Manager then begins negotiations with the second highest rated firm and, if necessary, the third rated and so on in the ranked order of the rated firms.

4.9 NOTICE TO SPONSORING AGENCY

The sponsoring local or federal agency, other than FHWA—see Section 4.7, is furnished a copy of the final negotiated fee proposal.

When funding availability has been verified by the Office of Financial Management and Budget, the price proposal negotiations have been completed, and the sponsoring agencies have concurred with the negotiated price, the written agreement can be executed.

Figure 4-1
Notification of Highest Ranked Firm

NOTIFICATION OF HIGHEST RANKED FIRM

(Date)

Dear _____:

SUBJECT : CONSULTANT SELECTION—AGREEMENT NO.

CONGRATULATIONS! The Department has selected your firm to be given the opportunity to negotiate a contract for the project.

On behalf of the Delaware Department of Transportation, I would like to thank you for the preparation effort put forth by your firm as a candidate in the competition for providing consulting services on the referenced project.

We look forward to successfully completing the negotiations phase in the near future. The Department's Project Officer is Mr./Ms. _____. It is appropriate for you to contact him/her at (302) ____ - _____ to begin contract negotiation proceedings.

The staff at Delaware DOT is looking forward to working with your firm on this project.

Sincerely,

Consultant Control Coordinator

*Figure 4-2
Standard Fee Proposal Format and Content*

STANDARD FEE PROPOSAL FORMAT AND CONTENT

Accurate information on past projects is needed to provide a basis for reviewing the amount of effort and associated costs to perform new projects. To maintain and recover historical project data for reviewing future projects, an easily trackable project database must be used. Beginning each project with a common format for preparing the fee proposal is the first step toward this goal. The following standard fee proposal format is recommended.

The fee proposal format described is based upon contracts utilizing the cost-plus-fixed-fee method of payment. However, the majority of the format and contents are also applicable to developing fee proposals for all other allowable methods of payment. Even for lump sum contracts, the Project Manager should know what various components were used to develop the final fee.

I PROJECT DESCRIPTION

Provide the geographical location, a general description of the project scope, and a detailed description of the exact products to be delivered.

II DETAILED SCOPE OF SERVICES

All anticipated work tasks should be identified and described in detail. Many projects are developed in phases, with the initial phase consisting of studies that identify future work elements and detailed technical services to follow. For phased projects, there may be a fee proposal submission after completion of each phase as future tasks are identified.

The detailed scope of services, whether as a total project or by phase, is used to develop staffing, person-hour budgets, and resource needs for the prime and subconsultants to complete the various subtasks, with a goal of being both on schedule and within the estimated budget.

III A SUMMARY OF EXPECTED WORK PRODUCTS

Most projects have many subtasks that may or may not be concurrent. Completion of all subtasks results in a clearly defined product. Technical and financial management of the contract will be enhanced if both parties know and agree before beginning work what the major products of a project will be.

For design services, this usually takes the form of several levels of plan development and ends with an anticipated summary of groups of plan sheets, such as roadway sheets, profile sheets, structure sheets, traffic control sheets, and stormwater management.

The summary of work products should be prepared in a form that allows the project manager to easily determine the level of effort to produce units of work. For design-related contracts, the relationship can be expressed as the estimated number of person-hours per sheet or groups of like sheets, the number of person-hours per square meter of structure, or the number of person-hours per lane kilometer, or possibly the number of person-hours per intersection or interchange. This type of breakdown serves two important functions. First, it provides an initial baseline for tracking progress during project development, and is an excellent resource for determining the validity of extra work and supplemental agreement requests. Second, a readily available historical database with this type of information is invaluable for analyzing fee proposals.

Other types of projects may be based on completion of studies or submission of reports.

Figure 4-2 (Continued)
Standard Fee Proposal Format and Content

No matter what kind of project is being undertaken, definable work products can be identified. Having the defined products provides a basis for judging the reasonableness of proposed staffing and cost estimates, and can be a valuable tool for administering the contract. After project closeout, the actual person-hours expended to complete both tasks and work products can be recovered and entered into the historical database for reviewing similar projects.

IV. PROPOSED SCHEDULE

The schedule is tailored to the services being provided and may be by phase, critical milestones, completion of major tasks, or a combination of all these. It may be in weeks, months or by dates, depending upon the project. It should closely parallel the overall schedule shown in the agreement, but both parties can better manage the project if the schedule provides more detail in the fee proposal. Because of the fluidity of most schedules, too much detail is unnecessary and impractical. However, all major tasks, critical milestones and deadlines should be identified.

V. A SUMMARY OF ALL COSTS

Sample fee proposal summaries are shown in Attachments A and B, Pages 4-12 and 4-13.

VI. DERIVATION OF DIRECT SALARY COSTS

Normally, the most significant cost component for professional service contracts is direct labor. Labor costs may be estimated by using one of the following three methods:

- actual rates of specific individuals,
- average rates for major classifications, or
- combined average rate for all classifications.

On projects where the actual personnel to be assigned can be identified, the actual rates for those individuals can be applied to the estimated person-hours for each work task.

On larger, more complex projects where the assignment of specific individuals may not be possible, average rates for each major classification may be used. Each employee in each classification is listed by employee number and current hourly rate. The rates are then averaged to develop the rate for each classification. See Attachment A for a sample cost estimate where this method is used.

The third method is the computation of one combined average rate for all classifications of employees expected to be assigned to the project. The average is computed from the individual salary rates or rates by classification and the estimated time on the project. The example cost estimate using this method is shown in Attachment B. Attachment C shows a sample average rate calculation.

Either the average rate by classification or the combined average rate can be compared with other contracts with like services to ensure that the average rates are reasonable. Similarly, actual rates can be compared.

Typically, average rates are used only to determine the estimated cost for the fee proposal. Billing is normally based on the actual rates for the employees assigned to perform the work. The Project Manager should check the ratio of classifications used against the person-hours estimated to ensure that the estimate and actual assignments are not skewed.

This ratio can also be used, during the course of a project, to ensure that personnel assignments are consistent with the original plan and to monitor the level of employees assigned to prevent assignment of employees from higher or lower classifications.

Figure 4-2 (Continued)

Standard Fee Proposal Format and Content

VII. PERSON-HOUR ESTIMATE BY CLASSIFICATION PER SUBTASK AND TASK

Each task in the detailed scope of work is broken down into sub-tasks for the purpose of assigning the required staff mix, resources and person-hours necessary to complete the task. The submission should include a summary of all subtasks, resources by classification and total person-hours required to complete the task, followed by the sub-task breakout supporting the summary. See Attachments D and E, Pages 4-15 and 4-16.

VIII. REIMBURSABLE EXPENSE BUDGET

For contracts where direct expenses chargeable to the project are reimbursable, anticipated costs should be estimated and included in the fee proposal. Such costs may include some or all of the following:

- travel and subsistence,
- copies and reproduction,
- printing,
- communications,
- consumable supplies,
- public meeting expenses,
- mapping, and
- other expenses.

Only expense items allowed by FAR and/or Audit and Review may be included.

IX. SUBCONSULTANT SUBMISSIONS

For ease of review and project management, requiring the prime consultant to have any sub-consultant fee proposal prepared in a similar manner will simplify a project manager's review and contract administration.

Figure 4-2 (Continued)
Standard Fee Proposal Format and Content
Attachment A

Method 2—Average Salary Rates by Classification				
FEE PROPOSAL SUMMARY				
(DATE)				
(CONSULTANT)				
				Sheet No. 1
1. Direct Labor				
Project Manager	1,250	hours @	\$38.50	\$ 48,125
Project Engineer	3,660	hours @	27.25	99,735
Designer	9,075	hours @	20.35	184,676
Draft/Tech	6,560	hours @	12.75	83,640
Total Direct Labor				\$ 416,175
2. Escalation (If allowed)				
	4.167	percent of Item 1		17,342
3. Overhead				
	118	percent of Items 1 & 2		511,550
4. Total Labor and Overhead				\$ 945,067
5. Fixed Fee or Profit				66,155
6. Direct Expenses (Justify with backup as necessary)				
Travel and subsistence			6,200	
Copies and reproduction			3,800	
Printing			5,650	
Communications			1,875	
Consumable supplies			650	
Miscellaneous			1,200	
Total Direct Expense				19,375
7. Total Proposed Price				\$1,030,597
<p>With this method, the cost estimate is based on the average salary rate for those individuals in each major classification to be utilized on the project. This method is usually used on projects of short duration where employee assignments can be definitely committed.</p>				

Figure 4-2 (Continued)
Standard Fee Proposal Format and Content
Attachment B

Method 3—Average Rate for All Classifications FEE PROPOSAL SUMMARY (DATE) (CONSULTANT)					Sheet No. 1
1. Direct Labor					
All personnel ¹	31,419	hours @	\$20.572	\$ 646,352	
2. Escalation (If allowed)					
	4.167	percent of Item 1		26,933	
3. Overhead					
	118	percent of Items 1 & 2		794,476	
				\$1,467,761	
4. Total Labor and Overhead					
				102,743	
5. Fixed Fee or Profit					
6. Direct Expenses (Justify with backup as necessary)					
Travel and subsistence			6,200		
Copies and reproduction			3,800		
Printing			5,650		
Communications			1,875		
Consumable supplies			650		
Miscellaneous			<u>1,200</u>		
Total Direct Expense				19,375	
7. Total Proposed Price				\$1,589,879	
<p>¹ See Attachment C for an example showing the calculation of the average rate.</p> <p>This method of presenting direct labor is usually used on projects of long duration where it is difficult to anticipate which employees will actually be available at the time the tasks must be completed. While it is used as a reasonable method to negotiate a fee proposal, billing should be based on actual rates for the individuals who actually perform the work.</p>					

Figure 4-2 (Continued)
Standard Fee Proposal Format and Content
 Attachment C

CONSULTANT NAME						
AVERAGE HOURLY RATE DERIVATION (SUMMARY)						
Classification	Primary Task Assignment	Average Hourly Salary		Proposed Hours		Extension
1. Project Manager	Highway	\$38.50	x	1,250	=	\$ 48,125
2. Project Engineer	Highway	27.25	x	3,660	=	99,735
3. Designer	Highway	20.35	x	9,075	=	184,676
4. Draft/Tech	Highway	12.75	x	6,560	=	83,640
5. Project Manager	Structures	39.75	x	490	=	19,478
6. Project Engineer	Structures	28.95	x	1,445	=	41,832
7. Designer	Structures	22.15	x	4,425	=	98,014
8. Draft/Tech	Structures	15.75	x	3,600	=	56,700
9. Project Manager	Surveys	27.25	x	30	=	818
10. Party Chief	Surveys	18.00	x	200	=	3,600
11. Instrument Per.	Surveys	11.00	x	200	=	2,200
12. Rod Person	Surveys	8.50	x	200	=	1,700
		Total		31,135		\$640,518
Average Rate equals Extension divided by Hours						\$20.572
List personnel by classification and primary task, i.e., structures, highway, etc.						

Figure 4-2 (Continued)
Standard Fee Proposal Format and Content
 Attachment D

PROJECT DESCRIPTION							
PERSON-HOUR AND FEE ESTIMATE FORM: SUMMARY							
AGREEMENT NO. _____				SHEET NO. ____ OF ____			
Task No.	Task Description	Estimated Person-hours by discipline					
	Summarize major tasks/products						
	Totals by task are transferred from following supporting sheet						
GRAND TOTAL							
PERCENT %							
NOTES/SUPPORT TASKS: (Indicate percent of work by subconsultants)							

Figure 4-2 (Continued)

Standard Fee Proposal Format and Content
Attachment E

PROJECT DESCRIPTION							
PERSON-HOUR AND FEE ESTIMATE FORM: MAJOR TASK/PRODUCT NAME							
AGREEMENT NO.		SHEET NO. ____ OF					
Subtask No.	Subtask Description	Estimated Person-hours by discipline					
	Break down major tasks into subtasks						
	Subtotal as appropriate						
TASK TOTAL ¹							
NOTES/SUPPORT TASKS:							
¹ Transferred to Summary Sheet							